THE PUBLIC SERVICE

GROUP INSURANCE FUND

BENEFITS SUMMARY

AND

AUDITORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED APRIL 30, 2003

THE PUBLIC SERVICE GROUP INSURANCE FUND
BENEFITS SUMMARY AS AT APRIL 30, 2003

The Public Servants Insurance Act provides for the establishment of the Public Service Group Insurance Fund (PSGIF) which is administered by the Civil Service Superannuation Board. The PSGIF includes three plans to provide life insurance, accidental death and disablement insurance and dependents insurance for eligible employees and retired employees (and their eligible dependents) of the Government of Manitoba and most of its Agencies and Boards.

Each of the three Plans is self-funding. Employee, retired employee and employer contributions along with investment income finance all death and disablement claims and administration costs. On the termination of the Policy, payment would be made by the Province of Manitoba to the extent that reserves are insufficient to cover any Policy deficit.

Each of the three Plans is summarized below:

a) **The Employees' Group Life Insurance Plan** (established May 1, 1960)

Most employees join the Plan at the same time they are enrolled in the Civil Service Superannuation Fund Pension Plan. Employees are automatically covered for life insurance coverage of five times annual salary, but may select a lower multiple. The maximum coverage under the plan is $1,000,000. For employees age 65 or more, insurance reduces in five year intervals based on age until age 73, at which time the employee is insured for $3,000.

Life insurance automatically continues following retirement for eligible retired employees, reducing in five year intervals until age 73, at which time the pensioner is insured for $3,000. As an alternative, retired employees can choose a $3,000 paid-up policy at any time prior to age 73.

Eligible employees who retire or terminate employment due to ill health or injury may apply to continue group life (disability) insurance without making further contributions until age 65, at which time retirement insurance options are available.

b) **The Accidental Death and Disablement Plan** (established July 1, 1974)

An eligible employee who is insured under the Employees' Group Life Insurance Plan is automatically enrolled in the Accidental Death and Disablement Plan. This Plan does not insure retired employees.

The amount of accidental death and disablement insurance is based on the employee's annual salary (maximum of $25,000) and insurance class (to a maximum of class three) under the Employees' Group Life Insurance Plan. An employee's maximum insurance is therefore $75,000.

c) **The Dependents' Group Life Insurance Plan** (established May 1, 1962)

An eligible employee who is insured under the Employees' Group Life Insurance Plan may choose insurance coverage on his/her eligible dependents in the Dependents' Group Life Insurance Plan. The employee elects the amount of insurance by choosing from one unit to four units of insurance. An employee with four units of insurance, whose spouse is under age 70, would have the maximum $60,000 of insurance on his/her spouse and $12,000 of insurance on each child.

Eligible retired employees may choose to continue reduced insurance on their dependents following retirement.

Eligible employees who are granted a disability benefit under the Employees' Group Life Insurance Plan also continue to have dependents' group life (disability) insurance at no cost until age 65, when retirement insurance options are available.

Management Report, Auditor's Report from the Auditor General of Manitoba and Financial Statements

Attached is the Management Report, the Auditor's Report from the Auditor General of Manitoba, and the Financial Statements and Notes for the year ended April 30, 2003.

104-01362/

MANAGEMENT REPORT

The accompanying financial statements of the Public Service Group Insurance Fund are the responsibility of management and have been prepared in accordance with the accounting policies stated in the notes to the financial statements. Management maintains internal controls to provide reasonable assurance of the reliability and accuracy of the financial information and to safeguard the assets of the Fund. In management's opinion, the financial statements have been properly prepared within reasonable limits of materiality, incorporating management's best judgement regarding all necessary estimates and all other data available up to September 17, 2003.

The firm of Ellement and Ellement Ltd. has been appointed as consulting actuary for the Fund. The role of the actuary is to complete the triennial actuarial valuations of the Fund in accordance with actuarial practice and estimate the obligations for benefits for inclusion in the annual financial statements.

The Auditor General performs an independent audit of the financial statements in accordance with Canadian generally accepted auditing standards. The resulting opinion is set out in the Auditors' Report attached to the financial statements.

Ultimate responsibility for the financial statements rests with the members of the Board. The Board established a Finance and Audit Committee to meet with Board staff and representatives of the Auditor General. It is the responsibility of the Finance and Audit Committee to review the financial statements, ensure that each group has properly discharged its respective responsibilities and make a recommendation to the Board regarding approval of the financial statements. The auditors have full and unrestricted access to the Board and to the Finance and Audit Committee.

The Board has reviewed and approved these financial statements.

On behalf of Management,

Robert H. Covernton
General Manager

Allen Borle
Director, Finance

Office of the Auditor General

500 - 330 Portage Avenue
Winnipeg, Manitoba
CANADA R3C 0C4

AUDITORS' REPORT

To The Legislative Assembly of Manitoba

We have audited the statement of net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2003 and the statements of changes in net assets available for benefits for the employees' group life insurance plan, the accidental death and disablement plan and the dependents' group life insurance plan for the year then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Public Service Group Insurance Fund as at April 30, 2003 and the changes in its net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

Office of the Auditor General

Office of the Auditor General

Winnipeg, Manitoba
September 17, 2003

Exhibit A

THE PUBLIC SERVICE GROUP INSURANCE FUND

Statement of Net Assets Available for Benefits

as at April 30, 2003

	2003	2002
ASSETS		
Investments, Schedule 1, Note 2(b)	$ 100,576,312	$ 100,529,933
Accounts receivable	282,703	18,032
Accrued dividends and interest	770,551	919,757
Due from Canada Life Assurance Company	2,057,305	3,895,658
Total assets	**103,686,871**	**105,363,380**
LIABILITIES		
Provision for future claims/liabilities, Schedule 2, Note 4		
Employees' Group Life Insurance Plan	86,220,299	81,124,770
Accidental Death and Disablement Plan	6,087,232	4,459,140
Dependents' Group Life Insurance Plan	2,588,400	2,465,200
Contributions received in advance	75,678	151,658
Accounts payable	22,345	22,974
Total liabilities	**94,993,954**	**88,223,742**
NET ASSETS AVAILABLE FOR BENEFITS		
Employees' Group Life Insurance Plan, Exhibit B	5,124,542	13,172,800
Accidental Death and Disablement Plan, Exhibit C	549,499	1,706,850
Dependents' Group Life Insurance Plan, Exhibit D	3,018,876	2,259,988
Total net assets available for benefits	**$ 8,692,917**	**$ 17,139,638**

Approved on behalf of the Board:

Chairperson of the Board

Chairperson, Finance and Audit Committee

Exhibit B

THE PUBLIC SERVICE GROUP INSURANCE FUND
Employees' Group Life Insurance Plan
Statement of Changes in Net Assets Available for Benefits
for the year ended April 30, 2003

	2003	2002
Increase in assets		
Contributions		
Employees	$ 8,296,758	$ 7,762,059
Employers	2,630,576	2,414,028
Retired members	849,667	786,255
Total contributions	11,777,001	10,962,342
Investment income		
Short term	394,190	464,850
Bonds, debentures and coupons	2,371,293	2,435,753
Equity pooled funds	965,350	820,268
Total investment income	3,730,833	3,720,871
Current period change in fair value of investments	(5,499,914)	293,019
Total increase in assets	**10,007,920**	**14,976,232**
Decrease in assets		
Death claims, Note 2(f)	12,195,695	8,826,915
Change in actuarial provisions, Schedule 2, Note 2(d)	5,095,529	2,442,138
The Civil Service Superannuation Board		
Administration fee	96,931	89,942
Investment management fee	137,225	135,125
Professional fees	37,687	28,746
Canada Life Assurance Company		
Premium taxes	253,151	184,413
Administrative fees	90,125	83,915
Conversion charges	80,619	76,384
Risk charges	7,150	7,150
Stop loss charges	53,939	82,643
Other	8,127	6,551
Total decrease in assets	**18,056,178**	**11,963,922**
(Decrease) increase in net assets	**$ (8,048,258)**	**$ 3,012,310**
Net assets at beginning of year	$ 13,172,800	$ 10,160,490
(Decrease) increase in net assets	(8,048,258)	3,012,310
Net assets at end of year, Exhibit A	**$ 5,124,542**	**$ 13,172,800**

Exhibit C

THE PUBLIC SERVICE GROUP INSURANCE FUND
Accidental Death and Disablement Plan
Statement of Changes in Net Assets Available for Benefits
for the year ended April 30, 2003

	2003	2002
Increase in assets		
Contributions, employers	$ 643,093	$ 622,747
Investment income		
Short term	25,543	21,263
Bonds, debentures and coupons	113,316	110,773
Equity pooled funds	45,612	36,763
Total investment income	184,471	168,799
Current period change in fair value of investments	(268,634)	9,420
Total increase in assets	**558,930**	**800,966**
Decrease in assets		
Death claims, Note 2(f)	62,500	338,750
Change in actuarial provisions, Schedule 2, Note 2(d)	1,628,092	177,459
The Civil Service Superannuation Board		
Administration fee	4,556	4,031
Investment management fee	6,477	6,087
Professional fees	2,457	1,201
Canada Life Assurance Company		
Premium taxes	1,326	7,128
Administrative fees	3,962	3,285
Risk charges	5,850	5,850
Claims charge	708	1,720
Other	353	290
Total decrease in assets	**1,716,281**	**545,801**
(Decrease) increase in net assets	**$ (1,157,351)**	**$ 255,165**
Net assets at beginning of year	$ 1,706,850	$ 1,451,685
(Decrease) increase in net assets	(1,157,351)	255,165
Net assets at end of year, Exhibit A	**$ 549,499**	**$ 1,706,850**

Exhibit D

THE PUBLIC SERVICE GROUP INSURANCE FUND
Dependents' Group Life Insurance Plan
Statement of Changes in Net Assets Available for Benefits
for the year ended April 30, 2003

	2003	2002
Increase in assets		
Contributions		
Employees	$ 1,811,291	$ 1,758,681
Retired members	242,343	222,736
Total contributions	2,053,634	1,981,417
Investment income		
Short term	27,557	20,357
Bonds, debentures and coupons	137,054	131,665
Equity pooled funds	54,989	43,445
Total investment income	219,600	195,467
Current period change in fair value of investments	(326,345)	8,608
Total increase in assets	**1,946,889**	**2,185,492**
Decrease in assets		
Death claims, Note 2(f)	997,500	1,542,000
Change in actuarial provisions, Schedule 2, Note 2(d)	123,200	71,900
The Civil Service Superannuation Board		
Administration fee	5,485	4,756
Investment management fee	7,810	7,201
Professional fees	1,531	1,419
Canada Life Assurance Company		
Premium taxes	20,847	31,750
Administrative fees	11,207	11,249
Conversion charges	17,580	2,318
Claims charge	1,920	1,911
Other	921	349
Total decrease in assets	**1,188,001**	**1,674,853**
Increase in net assets	**$ 758,888**	**$ 510,639**
Net assets at beginning of year	$ 2,259,988	$ 1,749,349
Increase in net assets	758,888	510,639
Net assets at end of year, Exhibit A	**$ 3,018,876**	**$ 2,259,988**

THE PUBLIC SERVICE GROUP INSURANCE FUND
Notes to Financial Statements
for the year ended April 30, 2003

1. Nature of Operations

The Public Servants Insurance Act (the Act) provides for the establishment of the Public Service Group Insurance Fund (the Fund). The Civil Service Superannuation Board is responsible for the administration of the Fund and the group insurance pclicies agreed to by representatives of the employees and employers participating in the Fund as set out in insurance policies between the Government of the Province of Manitoba and the insurance company. The Fund's operations are reported separately for:

the Employees' Group Life Insurance Plan,
the Accidental Death and Disablement Plan, and
the Dependents' Group Life Insurance Plan.

This separate reporting is consistent with the financial arrangements with the insurance company.

The Fund's fiscal year coincides with the insurance policy year for each Plan.

2. Significant Accounting Policies

(a) Basis of presentation

The financial statements of the Fund are prepared on a going-concern basis as a separate financial reporting entity, in accordance with Canadian generally accepted accounting principles.

(b) Investments

Investments are allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals. Investments are recorded at fair value on a trade date basis. Fair values of investments are determined as follows:

(i) Short term investments are valued at market, which approximates cost.

(ii) Bond pooled fund and bonds, debentures and coupon investments are valued at year end market prices determined by independent sources.

(iii) Equity pooled funds are valued at year end market prices as listed on the appropriate stock exchange.

(c) Foreign currency translation

The fair value of investments denominated in foreign currencies is translated into Canadian dollars at the exchange rate in effect at year end and the resulting change is included in the change in fair value of investments. Revenue and expense transactions are translated at the exchange rates prevailing on the dates of the transactions and are included in investment income at the translated amounts.

(d) Provision for future claims/liabilities

A provision for future claims/liabilities for each Plan has been established using the latest triennial actuarial valuation report of the Fund as at December 31, 2000. This provision has been projected by Ellement and Ellement, consulting actuaries, to April 30, 2003.

(e) Investment income

Investment income is allocated to each Plan based on monthly unit values, which are based on contributions and withdrawals.

2. Significant Accounting Policies (continued)

(f) Death claims

Death claims include current and prior year death and disablement claims reported to the Fund up to July 1, following the year-end.

(g) Expenses

Direct costs are charged to each Plan. The Civil Service Superannuation Board administration fee, investment management fee, and other indirect administration costs are prorated between Plans based on monthly unit values, which are based on contributions and withdrawals.

(h) Use of estimates

The preparation of financial statements in accordance with the Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities at the date of the financial statements and the reported amounts of changes in net assets during the year. Actual results could differ from those estimates.

3. Risk Management

Fair values of investments are exposed to interest rate risk, credit risk and currency risk.

Interest rate risk refers to the impact of interest rate changes on the Fund's cash flows, financial position and income. To limit the exposure to interest rate fluctuation, obtain the best possible return at acceptable risk and maintain the required liquidity, the asset mix is at 56% fixed income and 44% equity as at April 30, 2003.

Term to maturity	2003	2002
Less than one year	$12,369,551	$13,385,544
One to five years	13,053,312	11,111,325
Over five years	31,311,000	28,457,955
Total fixed income investments	$56,733,863	$52,954,824

Credit risk is the risk of loss from the failure of a counterparty to discharge its contractual obligations. The Board limits credit risk by concentrating on high quality securities, established investment ownership limits and acceptable credit ratings. In the case of bonds and debentures, 95% must be rated single A or higher.

Currency risk relates to the possibility that foreign currency-denominated investments will change in value due to future fluctuations in foreign exchange rates. The Fund does, from time to time, hedge some of this exposure. As at April 30, 2003 external fund managers had entered into forward foreign exchange contracts valued at $3,592 (2002 - $276,182) on behalf of the Fund.

4. Actuarial Valuations

In accordance with the Act, an actuarial report is required at least once every three years. The last triennial actuarial valuation report on the three plans administered by the Fund was prepared by Ellement and Ellement Ltd., consulting actuaries, as at December 31, 2000.

The actuarial report contemplates that the Fund and each Plan will continue to be in existence and that employees and dependents will continue to participate in these Plans on the completion of eligibility requirements. Significant long-term actuarial assumptions used in determining the provision for future claims/liabilities were:

Annual rate of return	6.00%
Salary escalation rates:	
(i) general increases	
a) inflation component	3.00%
b) productivity component	0.50%
(ii) service, merit and promotional increases	*

* the rates used vary by gender and age grouping from a high of 3.00% to a low of 0%

The valuation indicated the following net assets available for benefits:

	April 30, 2003 valuation projection Exhibit A	December 31, 2000 valuation
Employees' Group Life Insurance Plan	$ 5,124,542	$11,981,893
Accidental Death & Disablement Plan	$ 549,499	$ 1,331,685
Dependents' Group Life Insurance Plan	$ 3,018,876	$ 2,063,407

5. Termination of Policies

Upon termination of the policy in place for the Employees' Group Life Insurance Plan, the Accidental Death and Disablement Plan or the Dependents' Group Life Insurance Plan, the insurer will remit any net policy surplus as a final refund to the Fund for the applicable Plan. If there is a net policy deficit, a payment will be made to the insurer from the appropriate Plan's surplus funds. To the extent that the appropriate Plan's surplus funds are not sufficient to cover any net policy deficit, payment to the insurer will be made by the Minister of Finance.

6. Transfer of Employer Actuarial Surplus

In 1996, the Government of the Province of Manitoba passed an amendment to the Act. The amendment permits a payment of an actuarial surplus in the Fund to be made to the Minister of Finance on behalf of the employers. The payment amount requires the actuary's approval and negotiated agreement between the employer and employees.

7. Status of Fund

The Government of the Province of Manitoba and Canada Customs and Revenue Agency (CCRA) are having discussions concerning the status of the Fund for income tax purposes. The Province's legal counsel is not able to give any opinions with respect to the issues being raised by CCRA until more facts are provided.

Schedule 1

THE PUBLIC SERVICE GROUP INSURANCE FUND
Summary of Investments
as at April 30, 2003

	2003	2002
Fixed Income Investments		
Cash and short term		
Government and corporations	$ 12,276,071	$ 13,004,933
Bonds, debentures and coupons		
Pooled fund		
Domestic	44,457,792	39,949,891
Total fixed income investments	**56,733,863**	**52,954,824**
Equity Investments		
Pooled funds		
Domestic	25,361,709	27,128,846
Foreign	18,480,740	20,446,263
Total equity investments	**43,842,449**	**47,575,109**
Investments, Exhibit A	**$ 100,576,312**	**$ 100,529,933**

Schedule 2

THE PUBLIC SERVICE GROUP INSURANCE FUND
Schedule of Changes in Provision for Future Claims/Liabilities
as at April 30, 2003

	2003	2002
Employees' Group Life Insurance Plan		
Balance beginning of year	$ 81,124,770	$ 78,682,632
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	(579,500)	(1,942,200)
Interest accrued	4,244,118	4,470,338
Changes in actuarial reserves	1,430,911	(86,000)
Subtotal, Exhibit B	5,095,529	2,442,138
Provision for future claims/liabilities, Exhibit A	**$ 86,220,299**	**$ 81,124,770**
Accidental Death and Disablement Plan		
Balance beginning of year	$ 4,459,140	$ 4,281,681
Change in actuarial provisions, Note 2(d)		
Interest accrued	(42,109)	192,159
Changes in actuarial reserves	1,670,201	(14,700)
Subtotal, Exhibit C	1,628,092	177,459
Provision for future claims/liabilities, Exhibit A	**$ 6,087,232**	**$ 4,459,140**
Dependents' Group Life Insurance Plan		
Balance beginning of year	$ 2,465,200	$ 2,393,300
Change in actuarial provisions, Note 2(d)		
Net future claims/liabilities (released)	1,900	(41,200)
Interest accrued	140,100	134,700
Changes in actuarial reserves	(18,800)	(21,600)
Subtotal, Exhibit D	123,200	71,900
Provision for future claims/liabilities, Exhibit A	**$ 2,588,400**	**$ 2,465,200**